

INVESTOR PROTECTION TRUST

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2016 AND 2015



**Halt Buzas &
Powell, LTD**

CERTIFIED PUBLIC ACCOUNTANTS • MANAGEMENT CONSULTANTS

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1199 North Fairfax Street
10th Floor
Alexandria, Virginia 22314
p 703.836.1350
f 703.836.2159

2200 Defense Highway
Suite 403
Crofton, MD 21114
p 410.451.5150
f 410.451.5149

www.cpas4you.com

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Investor Protection Trust
Washington, D.C.

We have audited the accompanying financial statements of Investor Protection Trust (the Trust), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Halt, Buzas & Powell, Ltd.

Alexandria, Virginia

April 20, 2017

INVESTOR PROTECTION TRUST
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

	2016	2015
ASSETS		
Cash and cash equivalents:		
Cash - unrestricted operating account	\$ 775,467	\$ 1,217,674
Cash - IPT restricted	1,082,215	1,129,093
Cash - IEF restricted	98,123	107,605
Cash - IPT states, restricted	4,839,958	4,798,237
Total cash and cash equivalents	6,795,763	7,252,609
Investments - IEF restricted	6,456,513	6,383,444
Contributions receivable	15,411	28,921
Prepaid expenses	13,154	12,167
Property and equipment, net	28,284	31,511
Deposit	7,678	7,678
Total assets	\$ 13,316,803	\$ 13,716,330
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 150,749	\$ 60,394
Grants payable	451,789	277,012
Accrued compensated leave	51,260	37,545
Capital lease obligations	4,400	5,525
Deferred lease liability	30,253	33,654
Total liabilities	688,451	414,130
Net assets:		
Unrestricted	1,246,787	1,001,218
Temporarily restricted	11,381,565	12,300,982
Total net assets	12,628,352	13,302,200
Total liabilities and net assets	\$ 13,316,803	\$ 13,716,330

See accompanying notes to the financial statements.

INVESTOR PROTECTION TRUST
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Total
Revenues:			
Contributions	\$ 291,811	\$ 381,541	\$ 673,352
Unrealized gain on investments	-	341,400	341,400
Interest and dividends	12,019	145,967	157,986
Other income	952	-	952
Realized loss on investments	-	(984)	(984)
Net assets released from restrictions:			
Satisfaction of donor restrictions	1,787,341	(1,787,341)	-
Total revenues	2,092,123	(919,417)	1,172,706
Expenses:			
Program expenses	1,632,366	-	1,632,366
Management and general	214,188	-	214,188
Total expenses	1,846,554	-	1,846,554
Change in net assets	245,569	(919,417)	(673,848)
Net assets, beginning of year	1,001,218	12,300,982	13,302,200
Net assets, end of year	\$ 1,246,787	\$ 11,381,565	\$ 12,628,352

See accompanying notes to the financial statements.

INVESTOR PROTECTION TRUST
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Total
Revenues:			
Contributions	\$ 87,829	\$ 306,667	\$ 394,496
Interest and dividends	2,453	152,570	155,023
Realized loss on investments	-	20,766	20,766
Other income	507	-	507
Unrealized loss on investments	-	(247,564)	(247,564)
Net assets released from restrictions:			
Satisfaction of donor restrictions	1,727,812	(1,727,812)	-
Total revenues	1,818,601	(1,495,373)	323,228
Expenses:			
Program expenses	1,541,732	-	1,541,732
Management and general	205,217	-	205,217
Total expenses	1,746,949	-	1,746,949
Change in net assets	71,652	(1,495,373)	(1,423,721)
Net assets, beginning of year	929,566	13,796,355	14,725,921
Net assets, end of year	\$ 1,001,218	\$ 12,300,982	\$ 13,302,200

See accompanying notes to the financial statements.

INVESTOR PROTECTION TRUST
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ <u>(673,848)</u>	\$ <u>(1,423,721)</u>
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Realized loss (gain) on investments	984	(20,766)
Unrealized (gain) loss on investments	(341,400)	247,564
Depreciation	4,523	4,098
Deferred lease liability	(3,401)	33,654
Decrease (increase) in assets:		
Contributions receivable	13,510	95,659
Prepaid expenses	(987)	81,564
Increase (decrease) in liabilities:		
Accounts payable	90,355	(100,292)
Grants payable	174,777	(10,000)
Accrued compensated leave	<u>13,715</u>	<u>23,545</u>
Total adjustments	<u>(47,924)</u>	<u>355,026</u>
Net cash used in operating activities	<u>(721,772)</u>	<u>(1,068,695)</u>
Cash flows from investing activities:		
Proceeds from sales of investments	458,856	2,846,731
Purchases of investments	(191,509)	(1,856,576)
Purchases of property and equipment	<u>(1,296)</u>	<u>(2,701)</u>
Net cash provided by investing activities	<u>266,051</u>	<u>987,454</u>
Cash flows from financing activities:		
Principal payments on capital lease obligation	<u>(1,125)</u>	<u>(855)</u>
Net cash used in financing activities	<u>(1,125)</u>	<u>(855)</u>
Net decrease in cash, cash equivalents, and restricted cash	(456,846)	(82,096)
Cash, cash equivalents, and restricted cash beginning of year	<u>7,252,609</u>	<u>7,334,705</u>
Cash, cash equivalents, and restricted cash end of year	<u>\$ 6,795,763</u>	<u>\$ 7,252,609</u>
Non-cash investing and financing transactions:		
Acquisition of equipment through issuance of capital lease obligation	<u>\$ -</u>	<u>\$ 6,380</u>

See accompanying notes to the financial statements.

INVESTOR PROTECTION TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

1. Organization

The Investor Protection Trust (the Trust) is organized and operates exclusively for charitable, educational and scientific purposes. Founded in 1993 as part of a multi-state settlement to resolve charges of misconduct, the Trust serves as an independent source of non-commercial investor education materials. Without limiting the generality of the foregoing, the scientific purposes shall include education of investors, research and education with respect to the protection of investors and promotion of compliance with federal and state securities and commodities laws.

2. Summary of significant accounting policies

Basis of presentation

The Trust's financial statements are presented in accordance with generally accepted accounting principles for nonprofit organizations. Under those principles, the Trust is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets represent resources that are not subject to donor imposed stipulations and are available for operations at management's discretion.

Temporarily Restricted Net Assets represent resources restricted by donors as to purpose or by the passage of time.

Permanently Restricted Net Assets represent resources whose use by the Trust is limited by donor imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by action of the Trust. Income from the assets held is available for either general operations or specific purposes, in accordance with donor stipulations.

The Trust has no permanently restricted net assets at December 31, 2016 and 2015.

INVESTOR PROTECTION TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

Basis of accounting

The Trust's financial statements are prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses when obligations are incurred.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses and their functional allocation during the reporting period. Actual results could differ from those estimates.

Fair value measurements

The Trust reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs used to measure fair value are categorized as follows:

- Level 1 - quoted prices in active markets for identical assets or liabilities.
- Level 2 - inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.
- Level 3 - unobservable inputs which are typically based on the Trust's own assumptions, as there is little, if any, related market activity.

In determining the appropriate levels, the Trust performs a detailed analysis of the assets and liabilities that are subject to the standard. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There were no level 3 inputs for any assets or liabilities, held by the Trust at December 31, 2016 and 2015.

INVESTOR PROTECTION TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

Income taxes

The Trust is exempt from federal and local income taxes under Section 501(c)(3) of the Internal Revenue Code on income derived from activities related to its exempt purpose. This code section enables the Trust to accept donations that qualify as charitable contributions to the donor. The Trust is subject to income taxes on taxable income from unrelated business activities. For the years ended December 31, 2016 and 2015, the Trust did not recognize income tax expense in the accompanying financial statements as there was no unrelated business taxable income.

The Trust is not aware of any activities that would jeopardize its tax-exempt status that would require recognition in the accompanying financial statements. Generally, tax returns are subject to examination by taxing authorities for up to three years from the date a completed return is filed. If material omissions of income exist, tax returns may be subject to examination for up to six years. It is the Trust's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in the accompanying financial statements. As of December 31, 2016 and 2015, the Trust had no uncertain tax positions which should be recognized as a liability.

Cash and cash equivalents

For financial statement purposes, the Trust considers highly liquid investments with an original maturity of three months or less as cash equivalents. Excluded from this definition of cash equivalents are such amounts that represent funds that have been accounted for as investments.

Contributions receivable

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. All contributions receivable are expected to be collected in less than one year and are reported at their net realizable value. Reserves are established for receivables that are delinquent and considered uncollectible based on periodic reviews by management. Management estimates that all receivables are fully collectible, therefore, no allowance for doubtful accounts have been recognized at December 31, 2016 and 2015.

INVESTOR PROTECTION TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

Investments

Investments are reported at fair value and realized and unrealized gains and losses are reported in the statements of activities as increases or decreases in unrestricted net assets, unless the income or loss is restricted temporarily or permanently by donor restrictions or law. The Trust purchases investment instruments that are exposed to various risks, such as fluctuations in fair value and credit risk. It is reasonably possible that changes in risks in the near term could materially affect investment balances and amounts reported in the accompanying financial statements.

Property and equipment, net

Property and equipment acquisitions are recorded in the financial statements at cost, net of accumulated depreciation. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets as follows:

Computer equipment	5 years
Office furniture	10 years

The Trust's policy is to capitalize major additions and improvements over \$1,000. Repairs and maintenance which do not significantly add to the value of assets are expensed as incurred.

Deferred lease liability

Deferred lease is recorded and amortized to the extent the total minimum rental payments allocated to the current period on a straight-line basis exceed, or are less than, the cash payments required. Lease incentives received as part of a lease agreement are recognized on a straight-line basis over the life of the lease as a reduction to rent expense.

INVESTOR PROTECTION TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

Revenue recognition

Contributions

Contributions are recognized as revenue when received or promised and are recorded net of any current year allowance or discount activity. The Trust reports gifts of cash and other assets as temporarily restricted support if they are received or promised with donor stipulations that limit the use of the donated assets to the Trust's programs or to a future year. When a donor restriction expires, that is, when a purpose restriction is accomplished or time restriction has elapsed, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions. Contributions that are restricted by the donor is reported as unrestricted if the restriction expires in the same reporting period in which the contribution is recognized.

Revenue from all other sources is recognized when earned.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited.

Reclassification

For comparative purposes, certain 2015 amounts have been reclassified to conform to the 2016 presentation.

INVESTOR PROTECTION TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

3. Concentrations of credit risk

The Trust maintains bank deposits that, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) limits. At December 31, 2016 and 2015, the Trust had bank deposits in excess of FDIC limits of \$522,951 and \$981,214, respectively.

The Trust also maintains money market accounts which are neither insured or guaranteed by the FDIC. Such funds are managed to preserve a value of \$1 per share, but are subject to investment risk including loss of principal. These funds are protected by the Securities Investor Protection Corporation (SIPC) in case of failed brokerage firms or missing stocks and securities. At December 31, 2016 and 2015, the Trust's money market funds were in excess of SIPC protection in the amount of \$5,518,773 and \$5,534,935, respectively.

4. Property and equipment, net

The following is a summary of property and equipment held at December 31:

	<u>2016</u>	<u>2015</u>
Computer equipment	\$ 3,760	\$ 3,760
Office furniture	29,229	29,229
Copier	6,380	6,380
Computer Software	<u>1,296</u>	<u>-</u>
Property and equipment	40,665	39,369
Accumulated depreciation	<u>(12,381)</u>	<u>(7,858)</u>
Total property and equipment, net	<u>\$ 28,284</u>	<u>\$ 31,511</u>

Depreciation expense for the year ended December 31, 2016 and 2015 was \$4,523 and \$4,098, respectively.

INVESTOR PROTECTION TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

5. Investments and fair value measurements

Temporarily restricted investments are comprised of the following at December 31:

	<u>2016</u> Cost	<u>2016</u> Fair Value	<u>2015</u> Cost	<u>2015</u> Fair Value
Mutual funds, fixed income	\$ 2,645,754	\$ 2,724,809	\$ 2,738,423	\$ 2,729,072
Exchange traded funds, fixed income index funds	2,238,178	2,549,865	2,345,221	2,427,407
Exchange traded funds, equity index funds	<u>1,208,128</u>	<u>1,181,839</u>	<u>1,276,777</u>	<u>1,226,965</u>
Total investments	<u>\$ 6,092,060</u>	<u>\$ 6,456,513</u>	<u>\$ 6,360,421</u>	<u>\$ 6,383,444</u>

Fair value measurements for all categories of investments are Level 1 inputs for 2016 and 2015.

6. Commitments

Operating leases

In December 2014, the Trust entered into a new lease for office space in Washington, D.C. The lease commenced in December 2014 and expires in April 2020. Base monthly rental payments are \$7,678 for the first year, with an annual increase of three percent. As an incentive, the landlord abated the first five months of rent expense. The effects of the abated rent and scheduled rent increases are being recognized by the Trust on a straight-line basis over the life of the lease. The Trust also pays the landlord for its share of operating costs and real estate taxes in excess of the base amount. Total office rent expense for the years ended December 31, 2016 and 2015 was \$92,247 and \$87,398, respectively.

Aggregate future minimum lease payments are as follows for the years ending December 31:

2017	\$ 97,381
2018	100,059
2019	102,811
2020	<u>30,776</u>
Total	<u>\$ 331,027</u>

INVESTOR PROTECTION TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

Capital lease

In January 2015, the Institute entered into a five year lease for a copier. The lease calls for monthly principal and interest payments of \$136. The copier is reflected in property and equipment with a capitalized total cost of \$6,380. Accumulated depreciation for the lease equipment was \$2,499 and \$1,223 for the year ending December 31, 2016 and 2015 respectively.

Future minimum lease payments are as follows for the years ending December 31:

2017	\$ 1,627
2018	1,627
2019	1,627
2020	<u>135</u>
Total	5,016
Less: approximate amount representing interest	<u>(616)</u>
Present value of minimum lease payments	4,400
Current portion, capital leases	<u>(1,627)</u>
Non-current portion, capital leases	<u>\$ 2,773</u>

7. Temporarily restricted net assets

At December 31, 2016 and 2015, temporarily restricted net assets were available for the following programs:

<u>IPT temporarily restricted net assets</u>	<u>2016</u>	<u>2015</u>
Alabama	\$ 1,070,144	\$ 1,091,196
Alaska	32,121	74,721
Arizona	11,186	11,186
Arkansas	89,979	89,979
Colorado	100	100
District of Columbia	11,239	18,139
Florida	9,549	17,699
Georgia	259,445	259,445
Hawaii	13,016	13,016
Indiana	337,468	97,000
Iowa	451,666	467,142
Kansas	570	570
Kentucky	306,147	313,047

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INVESTOR PROTECTION TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

<u>IPT temporarily restricted net assets (continued)</u>	<u>2016</u>	<u>2015</u>
Louisiana	329,333	329,333
Maryland	47,785	47,785
Michigan	156,566	159,066
Minnesota	12,584	12,584
Montana	212,320	240,829
Nebraska	22,200	29,100
New Hampshire	98,929	98,929
New Jersey	3,935	3,935
New Mexico	221,257	243,524
New York	80,721	81,971
Ohio	61,732	61,732
Pennsylvania	1,368,465	1,390,193
Rhode Island	29,100	29,100
South Carolina	37,096	37,096
South Dakota	29,100	29,100
Tennessee	25,089	25,089
Texas	396,015	359,309
Washington	6,312	7,281
West Virginia	14,094	39,352
Wyoming	29,100	29,100
Grants payable - IPT	<u>(200,000)</u>	<u>(213,269)</u>
 Total temporarily restricted net assets for IPT	 \$ <u>5,574,363</u>	 \$ <u>5,494,379</u>

<u>IEF temporarily restricted net assets</u>	<u>2016</u>	<u>2015</u>
Alabama	\$ 150,121	\$ 160,463
Alaska	19,922	21,295
Arizona	1,727	15,948
Arkansas	5,202	5,217
California	610,494	659,926
Colorado	85,312	91,189
Connecticut	49,299	61,190
Delaware	137,566	141,666
District of Columbia	58,452	58,010
Florida	550,278	588,186
Georgia	87,339	93,356
Hawaii	102,988	110,083
Idaho	162,694	177,045
Illinois	476,417	583,062
Indiana	37,858	40,361
Iowa	56,766	60,677
Kansas	1,473	2,675

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INVESTOR PROTECTION TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

<u>IEF temporarily restricted net assets (continued)</u>	<u>2016</u>	<u>2015</u>
Kentucky	80,068	85,515
Louisiana	238,270	254,608
Maine	102,220	109,262
Maryland	209,979	243,993
Massachusetts	217,930	232,942
Michigan	6,641	7,099
Minnesota	11,245	11,802
Mississippi	128,868	137,384
Missouri	114,442	129,418
Montana	15,060	16,097
Nebraska	75,968	123,679
Nevada	132,752	141,897
New Hampshire	4,970	5,312
New Jersey	95,218	101,778
New Mexico	7,052	7,538
New York	2,494	2,666
North Carolina	4,259	12,562
North Dakota	13,241	14,153
Ohio	416,588	620,025
Oklahoma	12,561	18,757
Oregon	3,381	3,613
Pennsylvania	74,751	78,917
Puerto Rico	113,515	121,335
Rhode Island	186,040	198,855
South Carolina	177,416	195,433
South Dakota	4,090	4,117
Tennessee	13,901	14,858
Texas	420,665	449,644
Utah	114,368	122,247
Vermont	86,994	94,756
Virginia	139,104	182,099
Washington	5,396	5,768
West Virginia	119,143	127,350
Wisconsin	1,410	1,507
Wyoming	115,083	123,011
Grants payable	<u>(251,789)</u>	<u>(63,743)</u>
Total temporarily restricted net assets for IEF	<u>\$ 5,807,202</u>	<u>\$ 6,806,603</u>
Total temporarily restricted net assets	<u>\$ 11,381,565</u>	<u>\$ 12,300,982</u>

INVESTOR PROTECTION TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

8. Net assets released from restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose. Purpose restrictions accomplished during the years ended December 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Investor education in Alabama	\$ 65,096	\$ 106,458
Investor education in Alaska	45,509	2,601
Investor education in Arizona	14,867	1,948
Investor education in Arkansas	30	25,854
Investor education in California	97,047	82,354
Investor education in Colorado	12,457	52,015
Investor education in Connecticut	16,123	20,971
Investor education in Delaware	14,322	17,306
Investor education in District of Columbia	10,644	28,689
Investor education in Florida	88,497	95,606
Investor education in Georgia	12,753	11,405
Investor education in Hawaii	15,037	21,880
Investor education in Idaho	27,097	21,629
Investor education in Illinois	147,708	94,283
Investor education in Indiana	14,838	61,155
Investor education in Iowa	23,764	136,888
Investor education in Kansas	1,395	19,120
Investor education in Kentucky	18,445	10,325
Investor education in Louisiana	34,662	31,104
Investor education in Maine	14,925	34,067
Investor education in Maryland	49,308	45,793
Investor education in Massachusetts	31,820	30,200
Investor education in Michigan	3,470	48,367
Investor education in Minnesota	1,180	1,055
Investor education in Mississippi	18,050	16,142
Investor education in Missouri	24,016	73,797
Investor education in Montana	62,249	13,003
Investor education in Nebraska	60,112	21,747
Investor education in Nevada	19,383	25,968
Investor education in New Hampshire	726	2,392
Investor education in New Jersey	13,903	12,434
Investor education in New Mexico	23,296	22,052
Investor education in New York	1,614	53,751
Investor education in North Carolina	8,993	1,168
Investor education in North Dakota	1,933	1,729

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INVESTOR PROTECTION TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

<u>Net assets released from restriction (continued)</u>	<u>2016</u>	<u>2015</u>
Investor education in Ohio	247,012	75,746
Investor education in Oklahoma	7,485	20,746
Investor education in Oregon	494	4,033
Investor education in Pennsylvania	31,588	53,933
Investor education in Puerto Rico	16,574	14,823
Investor education in Rhode Island	27,164	26,036
Investor education in South Carolina	31,471	22,780
Investor education in South Dakota	55	51
Investor education in Tennessee	2,030	1,815
Investor education in Texas	104,716	119,806
Investor education in Utah	16,699	22,819
Investor education in Vermont	14,585	11,576
Investor education in Virginia	56,001	38,233
Investor education in Washington	1,758	705
Investor education in West Virginia	42,654	64,242
Investor education in Wisconsin	205	184
Investor education in Wyoming	16,804	15,028
Change in grants payable	<u>174,777</u>	<u>(10,000)</u>
Total net assets released from restrictions	<u>\$ 1,787,341</u>	<u>\$ 1,727,812</u>

9. Retirement plan

The Trust sponsors a defined contribution retirement plan under Internal Revenue Code section 401(k) that covers all employees. In accordance with Internal Revenue Service deferral limits, employees can elect to defer from 1% to 15% of their compensation. The Trust makes a matching contribution of 100% of an employee's deferrals, with a maximum matching contribution of 12% of an employee's compensation.

Employer matching contributions for the years ended December 31, 2016 and 2015 was \$49,949 and \$28,320, respectively.

INVESTOR PROTECTION TRUST
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

10. Related party transactions

The Trust shares common management with the Investor Protection Institute (IPI). State securities regulators received money from a multi-state settlement to resolve charges of misconduct. Part of those funds are to be used for the Investor Education Fund (IEF), overseen by the Trust. IPI manages four of the IEF programs, the Elder Investment Fraud and Financial Exploitation Prevention program, the Investor Education in Your Workplace program, Dash for the Stash and the STARS program. The Trust granted funds to IPI for these programs that totaled \$190,301 and \$282,901 for the years ended December 31, 2016 and 2015, respectively.

11. Subsequent events

In preparing the financial statements, the Trust has evaluated events and transactions for potential recognition or disclosure through April 20, 2017, which is the date the financial statements were available to be issued. There were no subsequent events that require recognition of, or disclosure in, these financial statements.